

Outdoors Tomorrow Foundation

INVESTMENT POLICY

Effective Date: September 17, 2013

I. GOALS AND MISSION OF THE FOUNDATION

Outdoors Tomorrow Foundation hereafter referred to as the “Foundation,” a 501(c)3 not-for-profit organization organized under the laws of the State of Texas, encourages the solicitation and acceptance of gifts that will fulfill its mission.

The mission of the Outdoors Tomorrow Foundation is to teach outdoor education and to promote and fund conservation of wildlife worldwide.

The Foundation’s primary goal is to raise contributions to expand, operate and otherwise fully support its Outdoor Adventures (“OA”) education program.

II. PURPOSES OF INVESTMENT POLICY

The purpose of this policy is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. Specific purposes include:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Foundation.
3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Foundation assets.
4. Establish a basis for evaluating investment results.
5. Ensure that Foundation assets are managed in good faith and with ordinary care.
6. Establish the relevant investment horizon for which the Foundation assets will be managed.

The Investment Policy outlines the objectives and constraints of the Foundation’s portfolio (the portfolio) and is intended to complement the Foundation’s Spending Policy as outlined in Addendum A

III. INVESTMENT COMMITTEE PURPOSE AND RESPONSIBILITIES

1. Review the investment policy at least semi-annually and propose revisions as needed to ensure that it is in compliance with the mission of the Foundation.
2. Report at least semi-annually to the Board of Trustees of the Foundation (“Board”) on the outcome of the investment policy review and any recommended revisions.
3. Determine the Fund’s anticipated annual distribution needs and communicate them to the investment manager.
4. Select Investment Manager(s) with approval of the Board based on prudent due diligence procedures. The Investment Committee will require that each Investment Manager(s) provide, in writing, acknowledgment of fiduciary responsibility to the Foundation.
5. Submit selection recommendation of Investment Manager(s) to the Board for approval.
6. Communicate the expected responsibilities and duties of the Investment Manager(s).
7. Communicate to the Investment Manager(s) any material changes that may affect how the Fund will be managed in the future.

8. Monitor and evaluate Fund performance, and ensure that investment policy guidelines are adhered to and objectives are met.
9. Take appropriate action to replace an Investment Manager(s) for failure to perform as expected. Such action shall be submitted to the Board of Trustees for approval.

IV. PORTFOLIO PHILOSOPHY

Future giving (contributions) to the Foundation is expected to be inconsistent, and therefore, unpredictable. As a result, the Foundation's Board has set an investment strategy with the objective of maintaining purchasing power of Foundation assets before consideration of gifts.

The goal will be to make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. Further, reasonable efforts will be taken to control risk, understanding that risk is present in all types of securities and investment styles and recognizing that some risk is necessary to produce long-term investment results sufficient to meet the Foundation's objectives.

V. PORTFOLIO STRUCTURE

To achieve investment objectives, financial assets will be allocated among a number of asset classes. (See Addendum B for asset class definitions.) These asset classes may include domestic equity, domestic fixed income, international equity, international fixed income, and alternative or real assets such as natural resources, , and commodities.

- A. The Portfolio will be managed in the following manner with monies being allocated into the following accounts: 1) Endowment, 2) Operating and 3) Reserve.
- B. Endowment investments will be pooled and invested in accordance with the Uniform Prudent Management Investment Fund Act ("UPMIFA") guidelines.

1) Endowment Account:

- a) Asset allocations for the portfolio will be determined by the Investment Committee and approved by the Board to facilitate the achievement of the Foundation's long-term investment objective within the established risk parameters. Asset classes will be chosen to be representative of a broad array of investment assets which have identifiable benchmarks. Assets will be diversified to minimize the adverse or unexpected results from one security or security class, reducing any overly detrimental impact on the entire portfolio. The Investment Committee will seek diversification of investment strategies within an asset class if more than one Investment Manager(s) is chosen to manage assets for that specific asset class. Asset allocation ranges established in this policy reflect the risk tolerance expressed by the Investment Committee with approval of the Board of Trustees. The portfolio will be rebalanced by the Investment Manager(s) to maintain appropriate asset class weights. The Board of Trustees retains the authority to approve temporary deviations from the acceptable ranges if conditions warrant such a deviation.
- b) If an endowment account's value is above the historic dollar value, i.e. the value of the assets when given, the Foundation will appropriate and/or expend any income according to the Spending Policy. The Board of Trustees retains the authority to approve temporary deviations from the acceptable ranges if conditions warrant such a deviation.
- c) If an endowment account's value is at or below the historic dollar value, the Foundation will not appropriate and/or spend any income until the historic dollar

value has been restored unless doing so is consistent with the terms of the endowed agreement and the Investment Committee and Board has determined that it would be prudent.

- d) The determination to appropriate, i.e. authorize for expenditure, and/or expend the income of an endowment fund whose value is at or below its historic dollar value will be made through a vote of the Board. Any such vote of the Board of Trustees will be preceded by the consideration of all relevant information and will be preceded by due deliberations on whether any income will be appropriated and/or expended and to what extent such appropriation or expenditure will occur.

2) **Reserve Account**

- a) When a Reserve Account is held with a brokerage firm, certificates of deposits should not exceed the federal insurance limits, unless approved by the Board.
- b) Accounts such as interest bearing accounts, money market accounts, certificates of deposit and government securities are to be the primary investments. Investing in any other type of investment vehicle requires approval by the Board of Trustees. Borrowing for investment purposes is prohibited.
- c) Investments should be limited in term. The Board of Trustees must approve any investment with a term longer than two year (2) years.

3) **Operating Account**

- a) Purpose of Operating Account is to provide cash for expenditures for operational needs of the Outdoor Adventures program and the Foundations administration of the Outdoor Adventures program.
- b) When Operating Account is held with a brokerage firm, certificates of deposits should not exceed the federal insurance limits, unless approved by the Board of Trustees.
- c) Accounts such as interest bearing accounts, money market accounts, certificates of deposit and government securities are to be the primary investments. Investing in any other type of investment vehicle requires approval by the Board of Trustees. Borrowing for investment purposes is prohibited.
- d) Investments should be limited in term. The Board of Trustees must approve any investment with a term longer than one (1) year.
- e) A current list of financial institutions as depositories for investment will be kept on file and updated regularly by the Outdoors Tomorrow Foundation Coordinator (“Foundation Coordinator”). The list includes commercial banks, savings and loans, credit unions and brokerage firms.
- f) Within guidelines, maximum interest rates shall be sought, with the maturity of the investments governed by expected cash needs.

ASSET ALLOCATION TABLE

(Asset classes, Policy Benchmarks and Asset Allocations):

<u>Asset Classes</u>	<u>Policy Benchmark</u>	<u>Asset Allocation Ranges</u>
CASH		
FIXED INCOME		
US Int/Short		
US Long		
US High Yield		
Dev-ex-US		
Emerging Markets		
EQUITIES		
US Large Cap		
US SMID		
Dev ex-US LC		
Emerging Markets		
REAL ASSETS		
TIPS		
Natural Resources		
Commodities		
Global Real Estate		

VI. INVESTMENT MANAGER(S) RESPONSIBILITIES

1. Investment Manager(s) shall meet in December and June each year with the Investment Committee.
2. Investment Manager(s) shall provide on-line review to the portfolio accounts to Chair, Vice Chair, and Treasurer of the Foundation, and the Chair of the Investment Committee.
3. Investment Manager(s) shall provide at least quarterly written statements including action taken with the portfolio and the current economic outlook.
4. Investment Manager(s) shall be in communication with the Investment Committee Chair, the Foundation Chair, Vice Chair and Treasurer. Communication between Investment Manager(s) and other parties is allowed with express authorization of the Investment Committee Chair or Foundation Chair.
5. Investment Manager(s) shall notify the Investment Committee Chair, the Foundation

Chair, Vice Chair and Treasurer of any significant market fluctuations, generally equal to a daily change of 5% or more, in a blended index equivalent to the current allocations model of the endowment fund.

6. All pertinent changes in personnel of the investment firm as they relate to portfolio accounts should be reported as they occur.

RISK AVERSION: Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. Investment Manager(s) should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. However, the Investment Manager(s) are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that risk assumed is commensurate with the given investment styles and objectives. Diversification will be used as an available investment tactic to lessen risk where appropriate.

ADHERENCE TO INVESTMENT DISCIPLINE: Investment Manager(s) are expected to adhere to the investment management styles for which they were hired. Investment Manager(s) will be evaluated regularly for adherence to investment discipline.

VII. PERFORMANCE MEASUREMENT

The Investment Committee will review and evaluate investment performance semiannually in the context of the prevailing investment environment, and consistent with the long-term investment horizon of the portfolio. Performance evaluation will be done at the portfolio level and for each asset class.

The performance review at the portfolio level will evaluate total portfolio performance versus the overall policy benchmark. The performance review at the asset class level will evaluate asset class performance versus the asset class benchmark.

The portfolio risk will be evaluated by standard deviation, and any other metric the Investment Committee deems appropriate after discussions with the Investment Manager(s).

Total portfolio expenses will be reviewed by the Investment Committee on an annual basis.

CHANGES TO INVESTMENT POLICY STATEMENT

The Investment Committee with the approval of the Board may amend this resolution from time to time.

Approved at the Foundation's Board of Trustees meeting on the 17th day of September 7⁵⁵ 2013.

Addendum A

Spending Policy

The purpose of the Foundation's investment portfolio is to provide funding, in perpetuity, for programs and capital needs of the OA program and other Mission related programs. The amount of this funding each year is determined by the Board's Spending Policy. The Board has currently selected a spending rate of 4.0% as being prudent for sustaining the purchasing power of the Foundation and yet still providing the funding for which the Foundation was established. This spending rate will be reviewed annually in light of evolving trends with respect to investment returns and the rate of inflation. Adjustments will be made when appropriate. When considering the investment performance of the Foundation, the Board will consider the total returns of the Foundation, including dividends on stock, interest on fixed-income securities, and capital gains, both realized and unrealized. This 8.0% return need is comprised of 4.0% for spending rate and the balance for administrative costs, anticipated inflation, investment management fees and a real growth rate.

Addendum B

Asset Class Definitions

U.S. Equities

The purpose of the allocation is to provide total return from appreciation and dividends that exceeds inflation. It is recognized that equity investments carry greater price variability and risk than other asset classes. Investments in one or more diversified commingled actively or passively managed funds is appropriate and necessary to create a well-diversified portfolio, incorporating multiple asset classes and investment styles.

Where separate account management is employed, the following restrictions apply:

- A. Permissible equity investments include common stocks, preferred stocks, and fixed income securities convertible into common stocks.
- B. Investments in the common stock of any one company may not exceed 5% of its common shares outstanding; no single common stock should exceed 10% of value of the entire stock portfolio, based on market value and notwithstanding donor directives. Exceptions to this guideline may be authorized following discussion with the Investment Committee.
- C. Direct investments shall not be made in commodities, commodity contracts, oil, gas, mineral leases, mineral rights, real estate or royalty contracts.
- D. With prior approval, writing covered calls and puts will be allowed to the extent they are used as a strategy to reduce the overall risk of the equity portfolio. Any such program will not exceed 10% of the equity portion of any manager's allocation (unless specifically authorized by the Investment Committee with approval of the Board of Trustees) and will be closely monitored by the Investment Committee.
- E. Margin transactions and short sales shall not be used. Financial futures contracts may be used only at the discretion of the Investment Committee as strategy to reduce the overall risk of the equity portfolio.

International Equities

Investments in one or more diversified commingled actively or passively managed funds is appropriate and necessary to create a well-diversified portfolio, incorporating multiple asset classes and investment styles. Where separate account management is employed, the following restrictions apply:

- A. Investment returns in this asset class are expected to meet or exceed the Morgan Stanley Capital International Europe, Australia, and the Far East Index ("MSCI EAFE") over a full market cycle. This performance vs. benchmark comments seems to better fit the Performance measurement section and the benchmark noted here is not the same as the one used by the International Equity fund.

U.S. Fixed Income

The purpose of the fixed income allocation is to provide current income, provide a stable component of return and to reduce the overall volatility of the portfolio.

Where separate account management is employed, the following restrictions apply:

- A. The bond portfolio may be invested in securities issued by the following: U.S. Treasury; an agency of the U.S. Government; or a corporation or sovereign issuer rated in one of the top four classifications by Moody's or Standard and Poor's.

Non US Bonds - Bonds issued by foreign governments and corporations. Non-investment grade investments should be limited to a maximum of 35% of the non U.S. Bond exposure. Investments in Emerging Market Bonds should be limited to 50% of the international bond exposure.

Real Assets – Asset classes influenced by inflation and inflation expectations. Assets within this class include: Treasury Inflation Protected Securities (TIPS), Global Real Estate, Commodities and Natural Resources.

Cash Equivalents

The percentage of total assets allocated to cash equivalents should be sufficient to meet disbursements and general operational expenses of the Foundation. Cash equivalents may also be used as an alternative to other investments when the investment manager feels that other asset classes carry higher than normal risk. However, Investment Manager(s) are generally expected to remain fully invested unless there is a compelling reason, in their respective judgment, to allocate a significant portion of their mandate to cash equivalents.